

The copyright © of this thesis belongs to its rightful author and/or other copyright owner. Copies can be accessed and downloaded for non-commercial or learning purposes without any charge and permission. The thesis cannot be reproduced or quoted as a whole without the permission from its rightful owner. No alteration or changes in format is allowed without permission from its rightful owner.



**DETERMINANT OF CAPITAL STRUCTURE FOR PROPERTY
LISTED COMPANIES IN
MALAYSIA**



By

HAPIZAH BINTI IDRIS

**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
Universiti Utara Malaysia,
in Partial Fulfillment of the Requirement for the Master of
Science (Finance)**



Othman Yeop Abdullah
Graduate School of Business

Universiti Utara Malaysia

PERAKUAN KERJA KERTAS PROJEK

(Certification of Project Paper)

Saya, mengaku bertandatangan, memperakukan bahawa
(I, the undersigned, certified that)

HAPIZAH BINTI IDRIS (817363)

Calon untuk Ijazah Sarjana

(Candidate for the degree of) **MASTER OF SCIENCE (FINANCE)**

telah mengemukakan kertas projek yang bertajuk

(has presented his/her project paper of the following title)

DETERMINANT OF CAPITAL STRUCTURE FOR PROPERTY LISTED COMPANIES IN MALAYSIA

Seperti yang tercatat di muka surat tajuk dan kulit kertas project
(as it appears on the title page and front cover of the project paper)

**Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta
kandungan dan meliputi bidang ilmu dengan memuaskan.**

*(that the project paper acceptable in the form and content and that a satisfactory
knowledge of the field is covered by the project paper).*

Nama Penyelia : DR. ZAEMAH BT ZAINUDDIN

(Name of Supervisor)

Tandatangan : _____

(Signature)

Tarikh : _____

(Date)

PERMISSION TO USE

In presenting this dissertation in partial fulfilment of the requirement for a postgraduate degree from Universiti Utara Malaysia, I agree that the University Library make a freely available for inspection. I further agree that permission for copying of this dissertation in any manner, in whole or in part , for scholarly purpose may be granted by my supervisor or , in their absence by the Dean of Othman Yeop Abdullah Graduate School of Business. It is understood that any copying or publication or use of this dissertation or parts thereof for financial gain shall not be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my dissertation.

Request for permission to copy or make other use of materials in this dissertation, in whole or in part should be addressed to:

Dean of Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

06010 UUM Sintok

Kedah Darul Aman

ABSTRAK

Kajian ini meneliti penentu struktur modal dalam kes syarikat-syarikat hartanah yang tersenarai di Pasaran Utama Bursa Malaysia. Terdapat 72 syarikat termasuk dalam kajian ini yang mana data telah dikumpulkan dari Bloomberg bermula dari tahun 2009 hingga 2014. Berdasarkan analisis deskriptif, kecairan firma mencapai nilai tertinggi minimum, maksimum dan sisihan piawai. Dalam output regresi, terdapat hubungan negatif antara keuntungan, ketajaman, kecairan dan perisai cukai bukan hutang. Walau bagaimanapun, hubungan positif telah diketengahkan dalam kes saiz firma. Penemuan ini juga mendedahkan bahawa saiz firma adalah faktor yang paling berpengaruh kerana nilai pekali adalah yang tertinggi di antara pembolehubah lain selaras dengan beberapa penyelidikan terdahulu.

Kata kunci: struktur modal; syarikat-syarikat hartanah; keketaraan; keuntungan; saiz firma; bukan hutang-perisai cukai; kecairan

ABSTRACT

This study examines the determinants of capital structure in the case of property companies listed in Main Market of Bursa Malaysia. There are 72 companies included in this study which the data has been collected from Bloomberg starting 2009 until 2014. Based on descriptive analysis, the liquidity of firm achieved the highest value of minimum, maximum and standard deviation. In the regression output it has been highlighted that there is a negative relationship between profitability, tangibility, liquidity and non-debt tax shield. However, positive relationship has been highlighted in the case of size of firm. The finding also reveals that size of the firm is the most influential factor as the coefficient value is the highest among other variables in line with few previous researches.

Keywords: capital structure; property companies; tangibility; profitability; firm size; non-debt tax shield; liquidity

ACKNOWLEDGEMENT

All praises to almighty Allah, the most merciful and the most benevolent for giving me the opportunities in completing this dissertation. It would be impossible for me to spent time to complete this dissertation without the grace and help of Allah S.W.T.

I am greatly indebted to Dr. Zaemah Binti Zainuddin whose excellence in supervision and plays a big role in inspired my work. Without her untiring encouragement, suggestions, ideas and comments throughout this work, this dissertation could not be completed.

I dedicated this research to my beloved husband for his endless support and also to the rest of my families for their help and encouragement. It gives me tremendous gratification in expressing my appreciation to all the individuals who have supported me and had their contributions in making this current dissertation possible. Their positive criticism, critical remarks and suggestions have always been very supportive in improving my skills and for strengthening the research work. I am sincerely appreciative to them for sharing their frank, honest and illuminating views on a number of issues related to the project.

Thank you.

TABLE OF CONTENTS

DESCRIPTION	PAGE
TITTLE PAGE	i
CERTIFICATION OF THESIS WORK	ii
PERMISSION TO USE	iii
ABSTRAK (BAHASA MELAYU)	iv
ABSTRACT (ENGLISH)	v
ACKNOWLEDGEMENT	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	x
LIST OF FIGURES	xi
CHAPTER 1: INTRODUCTION	1
1.1 Background of Study	1
1.2 Problem statement	4
1.3 Research Objectives	4
1.4 Research Questions	5
1.5 Significance of Study	6
1.6 Scope of the study	6
1.7 Organization of the study	7
CHAPTER 2: LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Property Companies	8
2.3 Capital Structure	9

2.4	The overview of capital structure theories	11
2.4.1	Trade-off theory	12
2.4.2	Pecking order theory	13
2.5	Determinants of capital structure	15
2.6	Chapter summary	16
CHAPTER 3: RESEARCH METHODOLOGY		17
3.1	Introduction	17
3.2	Framework of study	18
3.3	Variables definition	19
3.3.1	The capital structure	19
3.3.2	Profitability	19
3.3.3	Tangibility	20
3.3.4	Firms' size	20
3.3.5	Non Debt Tax Shield	21
3.3.6	Liquidity	21
3.4	Variable Measurement	22
3.5	Sampling techniques and size	23
3.6	Methodology	23
3.6.1	Descriptive analysis	23
3.6.2	Regression analysis	24
3.6.3	Data Collection sources	26
3.7	Chapter summary	29

CHAPTER 4: DATA ANALYSIS	30
4.1 Introduction	30
4.1.1 Data overview	30
4.2 Analysis of Data	31
4.2.1 Descriptive Analysis	31
4.2.2 Regression Analysis	33
4.3 Discussion	37
4.4 Chapter summary	38
CHAPTER 5: CONCLUSION AND RECOMMENDATION	39
5.1 Introduction	39
5.2 Summary of findings	39
5.3 Recommendations to the selected firms and financial policy makers	42
5.4 Recommendations to future researchers	43
5.5 Future implications	43
5.6 Research limitations	44
5.7 Chapter summary	44
REFERENCES	46

LIST OF TABLE

DESCRIPTION	PAGE
Table 1: Measurement of variables	22
Table 2: List of Property Companies in Malaysia	29
Table 3 : Descriptive Statistic	32
Table 4 : Multiple Regression Analysis	34
Table 5 : Summary of the relationship between IVs and DV	36



LIST OF FIGURES

DESCRIPTION	PAGE
Figure 1: Property Prices in Asia Comparison	2
Figure 2: Research Framework	18



CHAPTER ONE

INTRODUCTION

1.1 Background of Study

There are many sectors that can be broken down which may describe nearly all of the business activity in a country. However, property sector is one of the sectors that directly significant in contributing toward a country's economy through employment, capital market, consumption and financial sector. In Malaysia, property sector is mostly fragmented where there is no company that can exert enough influence to move industry in particular direction. This statement supported by the Director General of Valuation and Property Services Department, Datuk Faizan, in the Edge Property (2016). According to Nurul Shahnaz and Chee Wei (2016), the property price in Malaysia especially in urban area such as around Klang Valley area and Penang, has been facing with price increment. In the official website of MYMM2H, it was said that the property value in the city area will be increase gradually due to the higher cost of construction materials and energy (Xinhu, n.d). Based on these reasons, those who are looking to get into the property market likely to be hindered by the high price (Ee, 2015). However, numbers of housing schemes were promoted to public but it was never been enough as said by Ee (2015). Even the price is said to be increase, but the property price in Malaysia is still much more reasonable compare to other regions based on Figure 1 as being mentioned by Expatriate Advisory (2014).

The contents of
the thesis is for
internal user
only

REFERENCES

- Abdul Hadi, A. R., Yusoff, H., and Tat, E. H. Y. (2015). Capital Structure of Property Companies – Evidence from Bursa Malaysia. *International Journal of Economics and Finance*, 7(8), 12 – 19. Retrieved May 04, 2016, from <http://ccsenet.org/journal/index.php/ijef/article/view/47625>
- Abdul Jamal, A. A., Geetha, C., Mohidin, R., Abdul Karim, M.R., Lim, T.S. and Ch'ng, V. (2013). Capital Structure Decisions: Evidence from Large Capitalized Companies in Malaysia. *Interdisciplinary Journal of Contemporary Research in Business*, 5(5). Retrieved Aug 13, 2016, from ijcrb.webs.com
- Ahangar, R. G. (2011). The relationship between intellectual capital and financial performance: An empirical investigation in an Iranian company. *African Journal of Business Management*, 5(1), 88.
- Ahmed Sheikh, N. and Wang, Z. (2011). Determinants of capital structure: An empirical study of firms in manufacturing industry of Pakistan. *Managerial Finance*, 37(2), 117-133.
- Akbar , U. and Ahmad Bhutto, N. (2012). Determinants and Policies of Capital Structure in the Non-Financial Firms (Personal Care Goods) of Pakistan. *Asian Journal of Business and Manage.* 2(2), 27 – 35. Retrieved Sep 16, 2016, from <http://www.ajbms.org/articlepdf/4ajbms2012101222.pdf>
- Andrews, D. F. and Herzberg, A. M. (2012). *Data: a collection of problems from many fields for the student and research worker*. Springer Science & Business Media.
- Angrist, J. and Pischke, J. S. (2010). The credibility revolution in empirical economics: How better research design is taking the con out of econometrics (No. w15794). *National Bureau of Economic Research*, 1-37. Retrieved Oct 10, 2016, from <http://www.nber.org/papers/w15794.pdf>
- Ary, D., Jacobs, L., Sorensen, C. and Walker, D. (2013). *Introduction to research in education*. Belmont, CA: Cengage Learning.
- Carey, M. (2013). *The Social Work Dissertation: Using Small-Scale Qualitative Methodology: Using Small-Scale Qualitative Methodology*. New York, NY: McGraw-Hill Education.
- Chew, R. (2016). Property market still slow and outlook seems uncertain. The Edge Property. Retrieved April 10, from <http://www.theedgeproperty.com.my/content/796405/property-market-still-slow-and-outlook-seems-uncertain>

- Cohen, J., Cohen, P., West, S. G., and Aiken, L. S. (2013). *Applied multiple regression/correlation analysis for the behavioral sciences*. New Jersey: Routledge.
- Coles, J. L., Lemmon, M. L. and Meschke, J. F. (2012). Structural models and endogeneity in corporate finance: The link between managerial ownership and corporate performance. *Journal of Financial Economics*, 103(1), 149-168. Retrieved Nov 16, 2015, from <https://cq5publish.ou.edu/content/dam/price/Finance/CFS/paper/pdf/endogeneity4.pdf>
- Cortez, M. and Susanto, S., 2012. The Determinants of Corporate Capital Structure: Evidence from Japanese Manufacturing Companies. *Journal of International Business Research*, 11(3). Retrieved Jun 18, 2016, from <http://libweb.anglia.ac.uk>
- Crook, T. R., Todd, S. Y., Combs, J. G., Woehr, D. J. and Ketchen Jr, D. J. (2011). Does human capital matter? A meta-analysis of the relationship between human capital and firm performance. *Journal of applied psychology*, 96(3), 443. Retrieved Jan 11, 2016, from <https://pdfs.semanticscholar.org/338b/e35d6f604141e525bf7794ec496fe3756896.pdf>
- Cruess, R. L. and Goligher, J. C. (2012). *Principles and practice of research: strategies for surgical investigators*. New York, NY: Springer Science & Business Media.
- Degryse, H., de Goeij, P. and Kappert, P. (2012). The impact of firm and industry characteristics on small firms' capital structure. *Small Business Economics*, 38(4), 431-447. Retrieved Feb 10, 2016, from <https://core.ac.uk/download/pdf/6652823.pdf>
- Denscombe, M. (2014). *The good research guide: for small-scale social research projects*. Berkshire: McGraw-Hill Education.
- El Ghouli, S., Guedhami, O., Kwok, C. C. and Mishra, D. R. (2011). Does corporate social responsibility affect the cost of capital?. *Journal of Banking & Finance*, 35(9), 2388-2406. Retrieved Feb 10, 2016, from <file:///C:/Users/sitimahera/Downloads/S028ElghoulGuedhamiKwokMishra2011JBF.pdf>
- Gay, L. R., Mills, G. E. and Airasian, P. W. (2011). *Educational research: Competencies for analysis and applications*. Harlow: Pearson Higher Ed.
- Hancock, D. R. and Algozzine, B. (2015). *Doing case study research: A practical guide for beginning researchers*. New York, NY: Teachers College Press.

- Hsu, I. and Sabherwal, R. (2012). Relationship between intellectual capital and knowledge management: An empirical investigation. *Decision Sciences*, 43(3), 489-524. Retrieved Apr 20, 2016, from <http://www.ipedr.com/vol6/20-A10012.pdf>
- Harris, M. and Raviv, A. (1991). The Theory of Capital Structure. *The Journal of Finance*, 46 (1). Retrieved Sep 16, 2016, from <http://libweb.anglia.ac.uk>
- Irani, F., Kalkstein, S., Moberg, E. A. and Moberg, P. J. (2011). Neuropsychological performance in older patients with schizophrenia: a meta-analysis of cross-sectional and longitudinal studies. *Schizophrenia Bulletin*, 37(6), 1318-1326. Retrieved Jul 08, 2016, from <http://schizophreniabulletin.oxfordjournals.org/content/early/2010/06/13/schbul.s bq057.full.pdf>
- IWH, (2016). *Cross-Sectional vs. longitudinal studies*. [Online]. Retrieved May 13, 2016, from <https://www.iwh.on.ca/wrmb/cross-sectional-vs-longitudinal-studies>
- Jo, H. and Harjoto, M. A. (2011). Corporate governance and firm value: The impact of corporate social responsibility. *Journal of business ethics*, 103(3), 351-383. Retrieved Jun 22, 2016, from https://www.researchgate.net/publication/226385022_Corporate_Governance_and_Firm_Value_The_Impact_of_Corporate_Social_Responsibility
- Kayo, E. K. and Kimura, H. (2011). Hierarchical determinants of capital structure. *Journal of Banking & Finance*, 35(2), 358-371. Retrieved Mar 16, 2016, from https://www.researchgate.net/publication/257211766_Hierarchical_Determinants_of_Capital_Structure
- Kleinbaum, D., Kupper, L., Nizam, A. and Rosenberg, E. (2013). *Applied regression analysis and other multivariable methods*. Boston: Nelson Education.
- Lasgaard, M., Goossens, L. and Elklit, A. (2011). Loneliness, depressive symptomatology, and suicide ideation in adolescence: Cross-sectional and longitudinal analyses. *Journal of abnormal child psychology*, 39(1), 137-150. Retrieved Mar 17, 2016, from <http://dx.doi.org/10.1007/s10802-010-9442-x>
- Lewis, S. (2015). Qualitative inquiry and research design: Choosing among five approaches. *Health promotion practice*, 1524839915580941. Retrieved May 18, 2016, from <http://hpp.sagepub.com/content/early/2015/04/02/1524839915580941>
- Locke, L. F., Spirduso, W. W. and Silverman, S. J. (2013). *Proposals That Work: A Guide for Planning Dissertations and Grant Proposals: A Guide for Planning Dissertations and Grant Proposals*. London: Sage Publications.
- Mackey, A. and Gass, S. M. (2015). *Second language research: Methodology and design*. New York, NY: Routledge.

- Maditinos, D., Chatzoudes, D., Tsairidis, C. and Theriou, G. (2011). The impact of intellectual capital on firms' market value and financial performance. *Journal of intellectual capital*, 12(1), 132-151. Retrieved Jan 09, 2016, from <http://www.emeraldinsight.com/doi/abs/10.1108/14691931111097944>
- Malhotra, N. K. (2010). *Marketing research: An applied orientation* (Vol. 834). New Jersey: Pearson Education.
- McShane, M. K., Nair, A. and Rustambekov, E. (2011). Does enterprise risk management increase firm value?. *Journal of Accounting, Auditing & Finance*, 26(4), 641-658. Retrieved May 19, 2016, from <http://jaf.sagepub.com/content/26/4/641.abstract>
- Md-Yusuf, M., Mohamad Yunus, F. and Md Supaat, N. F. L. (2013). Determinants of Capital Structure in Malaysia Electrical and Electronic Sector. *World Academy of Science, Engineering and Technology*, 78. Retrieved Jun 18, 2016, from www.waset.org/journals/waset/v78/v78-156.pdf
- Miller, K. D. and Tsang, E. W. (2011). Testing management theories: critical realist philosophy and research methods. *Strategic Management Journal*, 32(2), 139-158. Retrieved Jul 10, 2016, from [https://business.illinois.edu/josephm/BADM504_Fall%202013/3_Miller%20and%20Tsang%20\(2011\).pdf](https://business.illinois.edu/josephm/BADM504_Fall%202013/3_Miller%20and%20Tsang%20(2011).pdf)
- Mishra, C., 2011. Determinants of Capital Structure – A Study of Manufacturing Sector PSUs in India. International Conference on Financial Management and Economics IPEDR, 11. Retrieved Apr 14, 2016, from www.ipedr.com/vol11/48-W00033.pdf
- Montgomery, D. C., Peck, E. A. and Vining, G. G. (2015). *Introduction to linear regression analysis*. New Jersey: John Wiley & Sons.
- Morri, G. and Cristanziani, F. (2009). What determines the capital structure of real estate companies? *Journal of Property Investment & Finance*, 27(4), 318–372. Retrieved May 09, 2016, from <http://www.emeraldinsight.com/doi/pdfplus/10.1108/14635780910972288>
- Neuman, W. L. and Robson, K. (2012). *Basics of social research: Qualitative and quantitative approaches*. Harlow: Pearson.
- Norazman, A. M., Masdinah, A. M. Y., Tina, A., Sahirah, M., Zanariah, M. S., Faruk, Mu., Siti, A. A. H., and Rohayah, K. (2010). *Academic Report Writing: From Research to Presentation*. Second Edition. Petaling Jaya: Prentice Hall.
- Noulas, A., & Genimakis, G. (2011). The determinants of capital structure choice: evidence from Greek listed companies. *Applied Financial Economics*, 21(6). Retrieved Jun 13, 2016, from <http://libweb.anglia.ac.uk>

- Onwuegbuzie, A. J., and Frels, R. K. (2013). Introduction: Toward a new research philosophy for addressing social justice issues: Critical dialectical pluralism 1.0. *International Journal of Multiple Research Approaches*, 7(1), 9-26. Retrieved May 14, 2016, from <http://connection.ebscohost.com/c/articles/87845618/introduction-toward-new-research-philosophy-addressing-social-justice-issues-critical-dialectical-pluralism-1-0>
- Ooi, J. (1999). The determinants of capital structure; Evidence on UK property companies, *Journal of Property Investment & Finance*, 7, 464-480.
- Oztekin, O., and Flannery, M. J. (2012). Institutional determinants of capital structure adjustment speeds. *Journal of financial economics*, 103(1), 88-112. Retrieved Jan12, 2016, from <http://www.sciencedirect.com/science/article/pii/S0304405X11001978>
- Pratheepkanth, P. (2011). Capital structure and financial performance: Evidence from selected business companies in Colombo stock exchange Sri Lanka. *Researchers World*, 2(2), 171. Retrieved Aug 07, 2016, from http://www.researchersworld.com/vol2/issue2/Paper_16.pdf
- Rani, R. and Sharma, R. K. (2012). Ethical consideration in research. *International Journal of Nursing Education*, 4(1), 45-48. Retrieved Aug 12, 2016, from https://accelerate.ucsf.edu/files/CTRFP_Ethical_Considerations.pdf
- Rawlings, J., Pantula, S. and Dickey, D. (1998) *Applied Regression Analysis: A Research Tool*. 2nd ed. Wadsworth: Springer-Verlag. Retrieved May 24, 2016, from http://web.nchu.edu.tw/~numerical/course992/ra/Applied_Regression_Analysis_A_Research_Tool.pdf
- Robb, A. M. and Robinson, D. T. (2012). The capital structure decisions of new firms. *Review of Financial Studies*, hhs072. Retrieved May 28, 2016, from <http://www.nber.org/papers/w16272>
- Sarlija, N., and Harc, M. (2012). The impact of liquidity on the capital structure: a case study of Croatian firms. *Business Systems Research*, 3(1), 30-36. Retrieved Sep 20, 2016, from file:///C:/Users/sitimahera/Downloads/10305_Voulme3_Issue_1_Paper_04.pdf
- Saunders, M. N. (2011). *Research methods for business students*, 5th ed. England: Pearson Education India.
- Saunders, M., Lewis, P. and Thornhill, A. (2009). *Research Methods for Business Students*. 5th ed. Harlow: Pearson Education Limited.

- Seber, G. A. and Lee, A. J. (2012). *Linear regression analysis* (Vol. 936). New Jersey: John Wiley & Sons.
- Segall, M. H. (2013). Aggression in global perspective: A research strategy. *Aggression in Global Perspective: Pergamon General Psychology Series, 115*, New York: Pergamon Press.
- Stern.(n.d.). *Firm Valuation: Cost of Capital and APV Approaches*, Retrieved Mar 16, 2016, from <http://pages.stern.nyu.edu/~adamodar/pdfiles/valn2ed/ch15.pdf/>
- Taylor, S. J., Bogdan, R. and DeVault, M. (2015). *Introduction to qualitative research methods: A guidebook and resource*. New Jersey: John Wiley & Sons.
- Thavikulwat, P (2004). *Determining The Value Of A Firm: Developments in Business Simulation and Experiential Learning*, Retrieved Mar 16, 2016, from <https://journals.tdl.org/absel/index.php/absel/issue/view/31>
- The Riff, D., Lacy, S. and Fico, F. (2014). *Analyzing media messages: Using quantitative content analysis in research*. New York: Routledge.
- Thomas, G. (2011). A typology for the case study in social science following a review of definition, discourse, and structure. *Qualitative Inquiry*, 17(6), 511-521. Retrieved Mar 25, 2016, from <http://qix.sagepub.com/content/17/6/511.abstract>
- Titman, S. and Wessels, R. (1988). The Determinants of Capital Structure Choice. *The Journal of Finance*.43 (1). Retrieved Mar 15, 2016, from <http://libweb.anglia.ac.uk>
- Tongkong, S. (2012). Key factors influencing capital structure decision and its speed of adjustment of Thai listed real estate companies. *Procedia - Social and Behavioral Sciences*, 40. Retrieved Jun 15, 2016, from <http://libweb.anglia.ac.uk>
- Tze, S. O. (2013). Factors Affecting the Price Housing in Malaysia. *Journal of Emerging Issues in Economics, Finance and Banking (JEIEFB)*, 1(5), 414-429. Retrieved Jun 10, 2016, from http://globalbizresearch.org/economics/images/files/73848_JEIEJB_%20Tze%20San%20Ong.pdf
- Villena, V. H., Revilla, E. and Choi, T. Y. (2011). The dark side of buyer–supplier relationships: A social capital perspective. *Journal of Operations Management*, 29(6), 561-576. Retrieved May 16, 2016, from https://www.researchgate.net/publication/229406536_The_Dark_Side_of_Buyer-Supplier_Relationships_A_Social_Capital_Perspective
- Williams, C. (2011). Research methods. *Journal of Business & Economics Research (JBER)*, 5(3). Retrieved Jun 17, 2016, from <file:///C:/Users/sitimahera/Downloads/2532-10126-1-PB.pdf>